

LATVIA

Country Commercial Guide 2004



Prepared by

**U.S. & Foreign Commercial Service
U.S. Embassy Warsaw**

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TABLE OF CONTENT

Chapter 1: Executive Summary.....	4
Chapter 2: Economic Trends and Outlook.....	5
Chapter 3: Political Climate Statement.....	6
Chapter 4: Marketing U.S. Products and Services	7
A. Distribution and Sales Channels	7
B. Use of Agents/Distributors.....	8
C. Franchising	8
D. Joint Ventures/Licensing.....	8
E. Steps to Establishing an Office.....	9
F. Advertising and Trade Promotion	9
Chapter 5: Leading Sectors for U.S. Exports and Investments.....	10
A. Best Prospects for Non-Agricultural Goods and Services	10
Chapter 6: Trade Regulations, Customs and Standards.....	16
Chapter 7: Investment Climate Statement	21
Openness to Foreign Investment.....	21
Conversion and Transfer Policies	23
Expropriation and Compensation	23
Dispute Settlement	24
Performance Requirements and Incentives.....	25
Right to Private Ownership and Establishment	26
Protection of Property Rights.....	26
Transparency of the Regulatory System	27
Efficient Capital Markets and Portfolio Investment	27
Political Violence.....	28
Corruption	28
Bilateral Investment Agreements.....	29
OPIC and Other Investment Insurance Programs	29
Labor	30
Foreign Free Trade Zones/Free Ports	30
Foreign Direct Investment Statistics	31
Chapter 8: Trade and Project Financing	33
Description of the Banking System	33
Foreign Exchange Controls Affecting Trading.....	34
General Financing Availability	34
Banks in Latvia	34

Major Commercial Banks in alphabetical order	34
Chapter 9: Business Travel.....	37
COUNTRY DESCRIPTION:	37
ENTRY REQUIREMENTS:	37
DUAL NATIONALITY:	38
SAFETY AND SECURITY:	38
CRIME:.....	38
MEDICAL FACILITIES:.....	39
MEDICAL INSURANCE:	39
OTHER HEALTH INFORMATION:	40
TRAFFIC SAFETY/ROAD CONDITIONS:.....	40
AVIATION SAFETY OVERSIGHT:.....	41
CUSTOMS REGULATIONS:	41
CRIMINAL PENALTIES:	42
COMMUNICATIONS:	42
MONEY:.....	42
OTHER USEFUL HINTS:	42
LIST OF PUBLIC HOLIDAYS:	43
CHILDREN'S ISSUES:.....	43
Chapter 10: Economic and Trade Statistics	44
A. COUNTRY DATA	44
Chapter 11: U.S. and Country Contacts.....	47
Latvian Government Contacts	47
Trade Associations, Chambers of Commerce.....	50
U.S. Department of Commerce Contacts.....	51
Chapter 12: Market Research	52

Chapter 1: Executive Summary

This Country Commercial Guide (CCG) presents a comprehensive look at Latvia's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

Since regaining independence Latvia has rapidly advanced towards restoring a market economy with steady economic and financial reforms paving its way. Latvia may be a small country with its 2.5 million inhabitants, but it is a potentially attractive market for American IT equipment and services, capital machinery and equipment, and consumer products. Located at the center of the three Baltic States, Latvia provides a strategic location as a commercial, financial and transportation hub for the Nordic/Baltic region.

The commercial environment is generally friendly to foreign companies. There are no controls on import, export, or use and conversion of foreign currencies, which facilitates investment and repatriation of profits. The Latvian government has adopted modern laws establishing copyrights, patents and trademarks and the means for enforcing their protection. Telecommunication services have been modernized and the real estate market looks promising with both modern housing and reasonably priced business venues available. English is the West European language of choice in government and business.

The Latvian economy grew at a healthy pace from 1995 until the Russian economic crisis hit in 1998, which slowed growth temporarily. This resulted in negative fiscal and external account developments and noticeable contractions in GDP and industrial production. Towards the end of 1999 the economy picked up again, as the budget cuts recommended by IMF started to show their effect, and trade and FDI figures improved. In 2002, Latvia showed a rather enviable GDP growth rate of 6.1 per cent. Even stronger growth has occurred in the first quarter of 2003 (8.8 per cent). Current forecasts show a GDP growth of 7 per cent expected for the year 2003. If this growth rate is realized, Latvia will have posted one of the highest GDP growth rates in all of Europe.

The Latvian economy is based on service industries including transportation and financial services and on light industry, e.g., wood, textiles, food processing. Most of the light industry sectors suffered due to the Russian crisis and turned Latvian trade increasingly towards Western Europe. In 1997 Latvia's exports to the CIS area were almost 30 percent of the total. By 2000, only 8.7 percent of Latvia's exports went to the CIS area but trade is expected to grow if Latvia joins the EU next year.

American products face strong competition in the Latvian market from the EU and CIS. Due to historical trade relations, companies from Norway, Sweden, Germany and Finland approach the Latvian market with great confidence. The U.S. hosts the largest Latvian

immigrant community in the world, and several Latvian-Americans have returned to Latvia and assumed leading roles in the business community. Latvia became a member of WTO in 1999 and plans on EU accession next year. They have free trade agreements with 26 countries, including European Union, EFTA, several CEFTA countries and Ukraine. Latvia has also concluded bilateral investment agreements with the majority of European and CEE countries and the United States, some of which are being renegotiated to meet EU requirements.

Most U.S. companies doing business in Latvia rate the business environment among the best in Eastern Europe. The courts, the legal system, trade and other regulations and tax structures are slowly being modified towards the industrialized west. Government bureaucracy, corruption and organized crime, typical of the old Soviet Bloc countries, have been the main impediments to U.S. trade and investment also in Latvia. While these obstacles have sometimes made it more complicated to do business in Latvia than in the west, very few U.S. companies have abandoned the Latvian market because of them.

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Chapter 2: Economic Trends and Outlook

Latvia marks its ten-year anniversary of independence and free market reform in 2001, with sound macroeconomic fundamentals, highly successful monetary policy, and a commitment to fiscal conservatism. The inflation rate has dropped close to the rates prevailing in the EU, and unemployment continues to decline. Latvia's foreign debt remains at a very low 13% of GDP, and the Bank of Latvia's foreign reserves continue to guarantee the stability of the national currency, the lat. International credit rating agencies have recognized these achievements by granting Latvia investment grade credit ratings. The Latvian government strives to meet EU admission criteria by 2003.

In the last five years, Latvia's economy has grown more than 25%, with average GDP growth of 4.7%. The economy slowed down at the end of 1998 - beginning of 1999 due to the considerable impact of Russia's financial crisis on the Latvian economy, leading to a brief decline of GDP growth to 1.1% in 1999. However, the economy recovered quickly in 2000: despite global economic instability, Latvia achieved 6.6% GDP growth in 2000 and finished the first quarter of 2001 with an even more impressive 8.2% growth. Latvia's GDP totaled \$7.15 billion at the end of 2000, while per capita GDP reached \$3013.

The Bank of Latvia (BOL) has upgraded its GDP forecast to 8% in the second quarter and to 7% for the year as a whole, while leaving the inflation estimate at 2.5%. Although the BOL cautions that a significant slowdown in the EU could reduce Latvia's growth, the Bank also notes that the Latvian economy has proved its resilience in 1998-1999, and as a small economy is able to react quickly to changes on international markets.

In the absence of sizable natural resources (except wood), Latvia's economy is dominated by the service sector, which contributes 70.2% of the total GDP. The largest service industries are wholesale and retail trade (18.1% of GDP), transport, storage and communications (16.2%), and real estate management (10.5%). Manufacturing -- the next largest sector of the Latvian economy -- accounts for 14.5% of GDP, followed by construction (6.8%), and agriculture and forestry (4.1%).

The European Union absorbs 62% of Latvia's exports and provides 52% of its imports. Latvia's main export markets are Germany (17.5%), Britain (15.2%), Sweden (10.3%), Lithuania (8%) and Estonia (6.1%). Export growth has also stayed in double digits every year except 1999. Latvia's main export items are sawed timber and wood products (37% of all Latvia's exports at the end of 2000), followed by textiles (14% of total exports), and steel (13%).

Latvia's imports come primarily from Germany (16.6%), Russia (10%), Finland (7.9%), Lithuania (7.6%), and Sweden (6.3%). Capital goods consistently rank as Latvia's number one import item (21% of total imports in 2000). Latvia also imports considerable amounts of fuel (the second most important import item accounting for 13% of the total), and chemicals (11%). As Latvia inherited an obsolete industrial base, it needs to import new technologies to increase the country's overall competitiveness.

The best prospects for U.S. exports are IT equipment including telecommunications equipment, electronic components and electrical machinery, wood and forestry machinery.

Chapter 3: Political Climate Statement

Latvia is a stable democracy that has made tremendous strides since regaining its independence in 1991. Eager to join Euro-Trans-Atlantic institutions, such as NATO and the European Union, the Latvian Government has pressed forward with a number of political and economic reforms designed to bring the country into compliance with EU and NATO requirements. Latvia is planning on EU and NATO Accession in May, 2004.

Latvia continues to make substantial progress towards the integration of its Russian-speaking minority. In September 2000, the implementation regulations for Latvia's language law were approved by the OSCE following a stringent review process. The approval was widely acknowledged as a significant step in Latvia's efforts to strengthen the Latvian language while protecting the rights of the Russian minority. Another major success has been the impressive naturalization rate for non-citizens, easily the best of all

of the Baltic States. Since 1995 nearly 40,000 non-citizens have been naturalized, about 16,000 in 2000 alone. In addition, 95 percent of those who applied for citizenship were able to qualify.

Latvia has also made important strides in dealing with its past. The Historical Commission, which operates under the sponsorship of Latvia's president, has engaged in a wide-range of activities to promote Holocaust awareness and education throughout Latvia.

Bilateral relations with the United States remain positive and mutually beneficial. In April 2001, Latvian President Vike-Freiberga became the first Baltic president to meet with President Bush. The United States continues to actively assist and support Latvia's desire to fully integrate itself in the Euro-Atlantic community. In contrast, Latvia's relations with Russia remain difficult. Despite Latvian efforts, including a high profile meeting between Presidents Vike-Friebergas and Vladimir Putin, Russia has yet to become seriously engaged in a meaningful dialog.

Chapter 4: Marketing U.S. Products and Services

A. Distribution and Sales Channels

Food and grocery import and wholesale operations are handled by private food wholesale companies. During the past few years these companies passed through the stage of specialization and market allocation and this market generally is settled.

Seasonal agriculture and food products are still sold at farmers markets located in largest cities, although they have lost their significance during the last two years along with strong expansions of various supermarket and grocery chains. This process goes in direct correlation with the general increase of people's wealth. In Latvia traditionally, most grocery shopping has been done in small, specialized stores, such as a dairy store or a corner bakery but large supermarkets have forced many of them either out of market or to merge into chains.

The grocery/dry goods situation started to change substantially with the entry of the Norwegian-Latvian joint venture Varner Baltija, which has brought the Norwegian retail chain "Rimi" to Latvia in late 90s. The group has opened several contemporary supermarkets and transformed the Soviet style department store in the center of Riga into a modern grocery and department store. In 2000, local grocery chains Nelda, and Mego significantly expanded their networks and became serious competitors to Rimi. However, the most successful up to the moment have been Lithuanian VP Market that owns two grocery chains Maxima and T-Market in Latvia. Both chains do not compete with each other as are oriented towards the people with different level of income, MAXIMA is a middle class oriented whereas T-Market is preferred by people with a tight budget. Such policy allowed the company to become the largest chain in all three Baltic countries. Although their first shop in Latvia was opened just in 2001 and they finished year with

USD 11 million turnover, in 2002 company's turnover increased up to USD 121 million while RIMI net turnover in 2002 was LVL 85.4 million (\$138 million). Their rapid expansion resulted that in May 2003 they became the market leaders in Latvia with number of stores exceeding 50. There were several large trading malls and hypermarkets opened in Latvia in between 2001 and 2003 belonging to RIMI or MAXIMA chains. So the main fight for the market leadership goes in between these two companies. Other international grocery chains as Kesko (Finland), Sky (Germany) also have presence in Latvia although not so significant. German company Lidl also has announced its plans to enter Latvia.

Yet, there are no large department stores chains present in Latvia. In the fall 2003 Swedish Stockman plans to open a department store in the center of Riga in 2003. However, foreign chains still are present only in the capital. Generally, the market outside Riga and the largest towns is controlled by mainly small grocery stores or chains belonging to local companies.

B. Use of Agents/Distributors

At present, there are no laws that regulate the relationship between a foreign company and its distributors or agents in Latvia. A distributor relationship can be terminated according to the provisions stipulated in each specific distributor agreement. This situation may change after Latvia joins EU as Latvia will be forced to adapt its legislative acts by incorporating respective EU directives.

A common practice is to appoint one distributor/agent to cover the entire country. Due to the small size of the Latvian market, one importer may carry products from several industry sectors or distributor may be appointed for the whole Baltic countries' market (including Estonia and Lithuania). On a long-term basis, an importer of the goods in Latvia should be a locally registered legal entity.

U.S. companies looking for agents or distributors in Latvia should contact the nearest U.S. Department of Commerce Export Assistance Center for International Partner Search/Gold Key Service, or the Commercial Office in the U.S. Embassy in Riga.

C. Franchising

Franchising has not been a very popular or well understood and regulated form of business arrangement in Latvia, but is gradually growing in popularity. Franchising arrangements are regulated under the Law on Competition.

D. Joint Ventures/Licensing

A joint venture with a local partner can be a significant help for a U.S. company with little or no experience of the East European business practices. A good choice can be a company that is already registered with the Latvian Chamber of Commerce and Industry. However, it is highly advisable to find out as much as possible about potential partners.

Basic information on a local company as well as its credit rating can be obtained from Latvian business information companies.

E. Steps to Establishing an Office

If a foreign company decides to set up a subsidiary in Latvia, there are three forms of legal entities available

- limited liability company (SIA)
- joint stock company (AS)
- representative (branch) office of a foreign company

Limited liability and joint stock companies are established upon registration with the Latvian Enterprise Register. A limited liability company has the rights of a juridical person and may be established with a minimum statutory capital of 2,000 Lats (approximately \$3,540 at the current exchange rate of 0.565 Ls per dollar) by a physical person or another company. A limited liability company may have up to 50 shareholders.

Companies with more than 50 shareholders, as well as companies that make public offerings of securities, or are formed by privatizing state enterprises using privatization certificates must be established as joint stock companies. This is a less popular form of organization for foreign investors since the structure and legal requirements for registration are more complicated than for limited liability companies. A joint stock company also has the rights of a juridical person. The minimum statutory capital is 25,000 Lats (higher amounts are required to establish banks, insurance companies, currency exchanges and pawnshops). Establishment of a foreign bank branch is subject to the approval of the Bank of Latvia.

Representative offices of foreign companies may be established for an initial period of five years. The fee for opening a representative office is \$800; extensions cost \$100. Non-profit organizations and branch operations without an office in Latvia may be established for \$50.

Representative offices of foreign companies are not allowed to carry out commercial activities (business for profit) in Latvia. Such offices should be registered with the Register of Enterprises. These representative offices do not have a status of a separate legal entity.

F. Advertising and Trade Promotion

Advertising may be conducted freely in any printed or electronic media. The leading newspaper in Latvia is "Diena" (Day), which is published in Latvian. The leading business newspapers are "Dienas Bizness" (Business of the Day), published in Latvian, and "Biznes i Baltija" (Business and the Baltics) and a weekly "Komersant Baltic" published in Russian. "Vakara Zinas" is a popular tabloid. "Chas" and "Telegraf" are

widely read by the Russian-speaking population. All information about official tenders and laws are published in Latvian government newspaper "Latvijas Vestnesis". Applications for the grant of a patent or registration of a trademark can be made in Latvian, English, Russian, or German to the Latvian patent office, either directly or through a legal representative. Any patent or trademark may be invalidated by a court if it does not meet the legal requirements for granting a patent or the substantive provisions for registering a trademark. Intellectual property rights may be enforced through Latvian court action.

Consultation with a Latvian attorney is recommended before establishing a business or an intellectual property right in Latvia. While an attorney must be a Latvian citizen to be admitted to the bar, a number of practicing attorneys in Riga are dual-national immigrants who have received their entire legal education in the United States or Canada. The U.S. Embassy can provide upon request a list of U.S. lawyers practicing in Latvia.

Chapter 5: Leading Sectors for U.S. Exports and Investments

A. Best Prospects for Non-Agricultural Goods and Services

1. Telecommunications Equipment (TEL)
2. Computers & Peripheral Equipment (CPT)
3. Computer Services (CPS)
4. Drugs/Pharmaceuticals (DRG)
5. Sporting Goods/Recreational Eq. - (SPT)
6. Forestry/Woodworking equipment (FOR)
7. Pollution Control Equipment (POL)

Sector Rank: 1
 Sector Name: Telecommunications Equipment
 ITA Industry Code: TEL

The telecommunication sector has been growing rapidly in Latvia since the establishment of Lattelekom in 1994. Then 49% of the stake Latvian government sold to Danish Tilt Communications. This joint venture between the state and a consortium of European Telecom companies is still in the process of modernizing the fixed public telecommunications network. Its total capital investments in the country's telecommunications system at the end of 2000 were valued to be LVL 350 million (or around USD 560 million). Latvian government had granted exclusive rights on the wired telecommunication services to Lattelekom for a period up to year 2013. In 2002 Latvia as the EU aspirant country shortened this period to year 2003, in order to meet the EU requirements for open telecommunications market by the respective amendments adopted to the Law on Telecommunications. Tilt Communications, the strategic investor disagreed with it and requested a compensation through the Court of Arbitrage.

Negotiations between the government and Tilts Communications about finding a way out of this magic circle are still in the process.

VITA, the Latvian State Information Network Agency is engaged in the development and maintenance of the country's State Significance Data Transmission Network. The project is planned to be completed in 2003, with a total cost of USD 10 million.

The best growing sub-sectors of telecommunications are digital lines and mobile telecommunications services. Latvia has one of the highest mobile phone penetration rates in CEE with 30% of the population using mobile telephony (including pre-paid phone). In years 1996-99, a number of subscribers has almost doubled every year, however, it slowed down in year 2000. Mobile operators are eager to keep in pace with the latest technology and network infrastructure. Prepaid mobile communication service was one of the most popular ones among customers in 1998 and 1999 and continues to be quite popular. Although its market share has decreased since mobile operators started to offer subsidized mobile phone offers. In May 1999 both operators introduced WAP service. In October 2000, Baltkom GSM, the second largest operator was taken over by Swedish Tele2. New management of the company came with aggressive marketing strategy that resulted in more rapid increase in the number of subscribers, thus also increasing mobile phone sales. Latvian GSM operators offer wide range of m-payment and e-payment services. Now their customers can do banking, pay their insurance payments, TV, internet, newspapers subscription and public utilities companies' invoices. In May 2002 the number of mobile phones exceeded the number of fixed phones. The current trend is the number of subscribers to fixed lines is decreasing while number of mobile phones is increasing. Latvia's largest mobile operator- LMT whose market share is above 60 per cent finished 2001 with USD 48 million profit and turnover of USD 170 million. Tele2 does not disclose its data about subscribers and finance in Latvia.

The paging era is over in Latvia. The last paging company finished its operations on May 15, 2002 by giving its customers over to the existing mobile operator Tele 2.

To further increase the competition and keep up with new technologies, in October 2002 there was completed a tender for the 3rd mobile communications operator to work in UMTS Standard in Latvia. Both current mobile operators obtained the license, however, no company interested in becoming the third mobile operator in Latvia.

Among Latvians the most popular cell phone brand is Nokia (approximately 50 per cent of all sold phones in 2000). It is followed long behind by such brand names as Siemens, Alcatel, Samsung, Motorola, Sony, a.o.

In 2001 the value added in the telecommunications industry reached 4 % of total GDP of Latvia. The number of Internet users during the 2002 according to the Latvian Internet Association has increased by 100 000, reaching 310 000 or 13,3% of total population. The popularity of internet has grown due to widely available services through cable TV operators, ISP using fixed wireless broadband connections and even mobile operators offering GPRS services.

Sector Rank: 2 Sector Name: Computers & Peripheral Equipment ITA Industry Code: CPT

Information technology is the most dynamic and most rapidly developing industry in Latvia. The development of Western-style information society has been a vital part of Latvia's strategy prior joining the EU. Computer hardware segment covers approximately 50% of the Latvian IT market. In 2001 economic activities related to the IT sphere constituted 4.6 per cent of Latvia's GDP while in 1997 it was only at 3.2 per cent.

Sales were accelerated by implementation of the Latvian Education Informatisation System (LIIS). This program provides for that every school will have specialized computer classes with access to Internet, providing one computer per 10 students in grades 10-12, one computer per 25 students in grades 5-9, and one computer per 10 teachers.

In 2000 computer equipment market grew by 20 per cent from LVL 42 million in 1999 to LVL 50 million (excluding VAT). The market for computers, servers and portable computers totalled LVL 21.4 million that represents 43,000 units.

The best prospects for U.S. computer hardware exports to Latvia are new personal computers with the latest versions of processors, small and medium multi-processor servers and multimedia equipment, LAN accessories and relevant computer parts, IP related equipment. A very significant niche that recently opened is the second-hand and overstock personal computers market. Main customers there are private persons who obtain computers for use at home.

Sector Rank: 3 Sector Name: Computer Services ITA Industry Code: CPS
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During the past years the software development sector has significantly increased its role in country's economy and its exports. If according the Central Statistical Bureau in 1997, the added value in this sub-sector provided was USD 16 million or 0.3 per cent of GDP then its share in 2000 it reached 0.7 per cent of GDP. The Cabinet of Ministers of Latvia has adopted regulations that stipulate discounts on the corporate income tax of 30 per cent for enterprises where the supported products are established by regulations of, exceed 75% of net turnover in the taxation period and which are certified according to ISO 9001 or ISO 14001 standards which must further stimulate the sector.

One of Latvia's priorities since regaining independence has been to update the outdated tele- and data communications network, and large investment have been made both on telecommunication and high-speed data transmission networks.

Latvian government has adopted e-Latvia concept and program, which has a goal of country's and Nation's informatization. The most important element of the program is a mega-system -a logical unity of the information systems that have national importance: Population Register, Enterprise Register, Tax Payers Register, Cadastral Register, information system of the Road Traffic Safety Directorate. Besides there approximately 30 smaller branch information systems which address a specific sector, ministry or region. It is planned to integrate these systems in one united system. Several unified information systems programs' are under realization or in a project phase in order to establish a unified, interlinked database and data exchange system.

There was completed a pilot project for the Library Informational Network which linked first 8 libraries into a network. It was done with the assistance of The Andrew W. Mellon Foundation who donated USD 500,000. The next phase will be to connect to the network remaining 1400 public and school libraries and its estimated costs will be USD 20 million. This project is a part of the National library project and must be completed not later than December 31, 2008.

Government of Latvia and other institutions recognize that a system and network security issue becomes a top priority for further implementation of e-Latvia concept.

The majority of Latvian companies, government institutions and financial institutions have commenced the development of their IT systems, including back office systems, LANs, accounting and financial control systems. Most big to medium size enterprises are upgrading their IT systems with aim to take advantage of opportunities provided by e-business. Both electronic commerce and Internet are rapidly penetrating the Latvian market, increasing the need for IT related services and support. U.S. exports have very good prospects in the IT&T services sector are: Internet/intranet systems and networks implementation, education and training, and support services.

Sector Rank: 4 Sector Name: Drugs/Pharmaceuticals (DRG) ITA Industry Code: DRG
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There is a strong state influence on the medical services in Latvia. All the main hospitals and recreation centers are state owned and receive centralized financing from the state budget. Therefore the largest portion part of drugs and/pharmaceuticals procurement passes through as the state organized tenders.

In the same time retail and wholesale market of drugs and pharmaceuticals is completely in hands of private businesses.

Steady development of the economy (average 5-7 pct. Growth of GDP) have improved also the situation in the public welfare and have allowed for the state to increase procurement of drugs with highly added value. Pharmaceuticals totaled in 4.5 per cent of total Latvian imports or USD 182 million in 2002.

Some of prescribed drugs, like the ones used for diabetes, HIV, TB, are subsidized by the state and compensated to the pharmacies. Latvian state has indicated as priorities fight of the following diseases, such as Tuberculosis, Tick Encephalitis, HIV.

The way for the American pharmaceuticals company to enter the market would be either to open the branch or representative office in Latvia or to approach a Latvian wholesale company who have established its solid base and sound name there.

All the drugs sold in Latvia must be certified by the State Drugs Agency before entering the market. FDA certification is not enough for selling the drugs in Latvia, although FDA results will be helpful in certification process.

Sector Rank: 5 Sector Name: Sporting Goods/Recreational Eq. (SPT) ITA Industry Code: SPT
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There was significant visibility of development in sports recent years in Latvia. Latvians have "discovered" for themselves several kinds of sports unknown to the public earlier, like golf, bowling, pool a.o. Besides also old well known sports have received significant investments. In a few last years there were open several ice rinks all around in Latvia which in comparison with 1 and a half rinks before 1995 is a very important sign that Latvians have more time, money and interest in doing sports.

They are run on business for profit basis and have proved to be very popular, especially, the ones located outside the capital city Riga where entertainment possibilities are limited. The ice hockey teams are mushrooming which gives good opportunity for companies selling various ice-hockey equipment.

If before the turn of centuries fitness centers were booming offering just a place for work-out, and it was enough to attract customers, then now the competition requests to offer wide range of additional services, including café, professional trainers, pool, sauna etc. and at the high quality. However, there still is a room for new centers in a market as one could see from the price levels in Latvia, especially outside the capital city.

In 2002 there were open two new bowling centers in Riga and the first complete 18-hole golf course. As for the golf, then experts predict great future to it's development in Latvia taking into account largely unspoiled environment and location almost in the center of Europe next to Sweden, country with the largest per capita ratio of golf players. General increase of wealth of the population also shows that there is very limited selection of good quality toys and games for kids in Latvia. None of the large companies have opened the store, yet. The first company who announced its intentions to open the amusement park there was Tivoli, Copenhagen. It will be the first try after Riga had to

live with movable on-roads amusement parks who visited Riga for several years and had profitable business being the only such park offering entertainment for youth in the city with a population of 800'000.

Sector Rank: 6 Sector Name: Forestry/Woodworking equipment (FOR) ITA Industry Code: FOR

Forestry and wood processing industry has a long tradition in Latvia. Some 45% of the land area is classified as forest out of which approximately 7 million acres are available for commercial forest operations. The approximate amount of annual timber harvest is 8.3 million cubic meters. Wood and Wood products count for 45 per cent of total Latvia's exports. The local saw mill industry has potential for expansion but the existing mills are in need of technology and machinery upgrades and the new establishments both managerial and marketing know-how. Timber and saw mill industries have potential for foreign investment. Both raw materials and labor are available at low cost. Since 1995 Latvia is trying to initiate recovery of pulp and paper industry. The Government of Latvia has "provided a green light" for a project to build cellulose plant in Latvia with a capacity of 600,000 t pulp per year. Swedish "Sodra group" and Finnish "Metsae-Serla" have been accepted as partners to Latvian Government in this project. According to the latest information the estimated costs of the plant will be around USD 960 million. The plant will be placed in Latgale (Latvia's Eastern region) near the Daugava river.

The annual allowable cut of pulpwood is 4 million m³ under bark annually which exceeds mill's demand (2.4 - 2.9 million m³ annually) for both softwood and hardwood. Currently, pulpwood is exported to Finland and Sweden. This is leaving plenty of room for developing smaller pulp and paper mills to Latvia.

Best prospects for U.S. exports are saw mill equipment, woodworking and furniture making machinery, plant technologies and training, pulp and paper mills (new and second hand).

Sector Rank: 7 Sector Name: Pollution Control Equipment ITA Industry Code: POL
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The Soviet era left behind heavy polluted large industrial areas, transportation crossroads and abandoned Russian army bases. Latvia is eager to invest funds and resources in environmental protection in order to meet the EU and other international convention requirements. Both Latvian Ministry of Environmental Protection and the municipal governments have implemented several environmental projects ranging from wastewater treatment to landfill.

Best prospects for U.S. exports in the environmental sector are counseling services, wastewater treatment technology, ozone-friendly technologies on industry level, pollution

control equipment for oil and transportation industries and water supply and sewerage development. As a transit oriented country, Latvia also needs advanced technologies for various radiation pollution control at border crossing points, ports, railway hubs, etc. Latvia has allocated money in its budget for taking down the Salaspils Nuclear Reactor in 2003. This provides a good opportunity for companies who have relevant experience in similar operations or can offer special nuclear safety equipment like various detectors, containers etc.

Chapter 6: Trade Regulations, Customs and Standards

Latvia passed its current customs laws in October, 1994, with adjustments for the European Union requirements taking effect on July 1, 1997. Customs duties apply both to the import and export of goods. Latvia requires licenses for the import of grains, sugar, fuel, tobacco, alcohol and arms, and for the export of ferrous and non-ferrous metal scrap, ethyl alcohol, and spirits. Overall, there are 98 classes of goods which correspond to HS Codes. In case of disputes, the official European version of codification is used.

The transit of goods through Latvia is not a subject to import and export duties or Value Added Tax.

For goods to be declared as transit or for temporary import a non-resident may do the declaring by way of exception if approved by the State Revenue Service.

The applicable import rates vary depending on the origin and the type of the goods imported. Since Latvia is a member of WTO, rating practices required by this organization have been adopted in Latvia. The basic rate is from 0 to 55 percent. There are separate rates applicable to goods originating in countries with Most-Favored-Nation (MFN) status and with which Latvia has free-trade agreements. The basic 20% tariff rates are applied to the countries with which Latvia has no trade agreements however the basic tariff import rate is 15% for countries that have MFN status in trade with Latvia. These tariffs mainly are applied to goods deemed for the release for free circulation. Customs tariffs are lower or goods are completely exempt from tariffs for machinery/equipment, chemical products and metals. At the same time customs tariffs are higher for agricultural products: basic rate is 20%-55%, for the countries with MFN status - 15%-45%.

Export rates are not imposed on exports, except for art objects and antiquities (0-20%) and for goods with strategic value, namely minerals, metal and wood products.

The Customs Law provides for customs duty exemptions. Foreign investors most commonly exempt the temporary import of goods. Temporary import into Latvia may not exceed 24 months.

Besides customs duties, imports are also subject to excise, value-added-taxes (VAT) and tax on natural resources. VAT rates are either 0, 9 or 18 percent. However, as Latvia plans to join EU, VAT rates will have to change, as EU has requested to diminish 0 per

cent VAT rate. This will influence such industries as press, medical services, pharmaceuticals and entertainment industry that currently are VAT exempt.

The following groups of supplies are subject to a zero percent VAT rate:

- Export of goods from Latvia
- Services which are related to the supply of goods outside Latvia
- Services and supply of goods not supplied within Latvia
- Supply of goods and services related to the maintenance and service of international transportation
- Tourism services in certain instances
- On the basis of reciprocity, services and goods related to diplomatic and consular officers enjoying immunity
- Certain services if the recipient is a non-resident

Foreign investors are Value Added Tax exempt on the foreign investment of fixed assets for manufacturing, provided that importer is a registered VAT-payer in Latvia.

VAT taxpayers are entitled to deduct the tax which they pay on supplies (input VAT) from the tax which they charge their customers (output VAT), provided that the input supplies relate to the activity of the taxpayer. Persons whose sales, excluding exempted sales, exceed 10,000 Lats (approx. USD 18,000) within a 12 month period must, within the following 30 days, be registered with the State Revenue Service for VAT payers.

Excise taxes are applied to soft drinks, coffee, tobacco products, alcoholic beverages (including beer and wine), gold/jewelry, and cars at various rates. Excise taxes for fuel and oil also apply, with the tax for petrol, oil, and diesel fuel ranging from USD 160 to USD 340 per 1000 litres. Oil gases are taxed at USD 85 per 1000 kilograms.

There are several exemptions from the excise tax in regard to vehicles, such as smaller cars and certain trucks. Since January 1, 2001, only cars that correspond to the EU technical requirements and standards can be registered in Latvia.

Excise tax for alcohol and tobacco products is generally paid by purchasing excise tax stamps.

Latvia has a TAX ON NATURAL RESOURCES that was adopted on 14 September 1995 and subsequently amended. The tax on natural resources also applies to packaging of products. The packaging tax is applied (at different rates) to glass, polymers, plastic, metal, paper, cardboard, laminates with metal or poly-metal components, pulp and other natural fibers raw materials and is payable on the border. For locally produced packaging, the tax should be paid by the 20th date of the month after the quarter during which the packaging was sold. In some occasions Government may grant a tax relief to a taxpayer that finances projects aimed at the reduction of environmental pollution, up to an amount of the financed sum.

Latvian customs authorities require the following documentation for imported goods/services: VAT payer certificate, an invoice, a bill of lading indicating the amount, weight and value of the goods, the original certificate of origin (from EUR.1 or form A), necessary licenses if such are applicable, and in case the deal includes multiple shipments, there also should be attached a copy of the contract. At the border, an importer or his agent must complete a customs declaration and a customs freight delivery note and show the documents confirming that all applicable duties had been paid. Document requirements for exports include a declaration, transport documentation, a contract, a certificate of origin, and a license. Transit enables the movement of Latvian goods, which are subject to the completion of the export procedure and the movement of non-Latvian goods from one customs office to another within the customs territory of the Republic of Latvia without any customs tariffs applied. The said movement is ensured by means of the following:

- under the transit procedure;
- under cover of a TIR carnet (TIR Convention);
- under cover of an ATA carnet (ATA Convention) used as a transit document

State Revenue Service is planning to start to offer its customers the opportunity to submit all declarations in the electronic form via internet.

To obtain more detail information about the Latvian customs procedures and regulations you may at the Latvian Development Agency website: <http://www.lda.gov.lv>

There are over 60 customs warehouses in Latvia with storage terms that are unlimited in length. Products stationed there can be further processed in order to improve their appearance and prepare them for distribution or re-sale.

Latvia became a member of the World Trade Organization on February 10, 1999, and has free trade agreements with 26 countries, including all European Union and European Free-trade Association (EFTA) countries, the Czech Republic, Slovakia, Poland, Slovenia, Lithuania and Estonia. The existing free-trade agreement with the Ukraine does not extend to food commodities. Latvia also has Most-Favored-Nation trade agreements with 21 other nations, including the United States, Canada, China, India, Australia, the CIS countries, and Hungary.

Latvia also has four special economic zones (SEZ) with eased tax regimes. They are the Ventspils Free Port (law "On the Ventspils Free Port", adopted on December 19, 1996), the Riga Free Port (law "On Riga Free Port", adopted March 9, 2000), the Liepaja Special Economic Zone (law "On the Liepaja Special Economic Zone," adopted on February 17, 1997) and the Rezekne Special Economic Zone (the law "On the Rezekne Special Economic Zone" adopted on October 1, 1997). More information on SEZ is available at the website: www.lda.gov.lv

There are several fields of businesses in Latvia, where a specific license is required prior starting of business activities which can be obtained from a relevant or local institution.

The following Latvian State institutions are responsible for issuing respective export/import or activities' licenses:

MINISTRY OF DEFENSE: import, export, transit through Latvia, sale of weaponry, ammunition, warfare technique, explosives and their parts.

FINANCIAL AND CAPITAL MARKET COMMISSION: issues special permits (licenses) or certificates authorizing operation in the financial and capital market in Latvia (such as banking, insurance, investment funds, brokerage activities etc.).

MUNICIPALITIES:

- services of shooting galleries shooting stands (after a permit is received from the relevant State police institution);
- cremation;
- commercial conveyance of passengers within the territory of the relevant municipality.

MINISTRY OF FINANCE and state institutions under its control and supervision:

- sale, manufacturing, services related to precious metals, precious stones and their articles as well as accepting the above as pledge objects;
- organizing and up-keeping of lotteries and gambling;
- investment companies activities;
- production, sale, import for free circulation and wholesales of tobacco products;
- production, import, wholesale and retail sale of alcohol;
- production, import, wholesale, retail sale and storage of fuel;
- repayment of value added tax to foreign physical persons for goods obtained in Latvia, which are taken out from Latvia;
- production of technical spirits.

MINISTRY OF WELFARE and state institutions under its control and supervision:

- Training of employees in work protection, qualification of work protection specialists;
- Designing, processing, mantling, repairs, maintenance and modernizing of dangerous equipment;
- Blasting, pyrotechnics activities, as well as production and storing of articles and explosives used in blasting and pyrotechnics activities (after a permit is received from the relevant State police institution);
- Storage, sales and usage of dangerous substances for disinfection;
- Employment (except employment of sailors on ships);

MINISTRY OF HEALTH:

- Activities related to drugs and narcotics:

- Activities with radioactive substances and other ionizing irradiance used in medicine.

MINISTRY OF INTERIOR:

- Activities of detectives;
- Security activities;
- Import, export, processing, sales and repairs of hunting, sports, self defense weapons (inclusive small-arms, cold steel and airguns), ammunition, explosives and special means - gas revolvers and electroshock devices;
- Import, export and sales of pyrotechnics.

MINISTRY OF TRANSPORT and state institutions under its control and supervision license:

- Rail conveyance of passengers and freight;
- Airlifting;
- Special aviation activities;
- Commercial conveyance of passengers within the territory of Latvia and for international conveyance of passengers by bus;
- Commercial conveyance of freight within the territory of Latvia and for international conveyance of freight by truck;
- Retail trade of mechanical transport means, their units and sidecars;
- Conveyance of passengers and freight by sea transport;
- Underwater works related to exploitation of ports and ships;
- Post services;
- Mediation services for employment of sailors on ships;
- Wireless communication services.

MINISTRY OF ENVIRONMENT PROTECTION AND REGIONAL DEVELOPMENT and state institutions under its control and supervision:

- Entrepreneurship in construction (management, designing, consulting and execution of construction works);
- Activities with radioactive substances and other sources of ionizing irradiance (inclusive import and export);
- Aggregation of ship wastage and its utilization in ports;
- Liquidation of pollution consequences in aquatories.

MINISTRY OF AGRICULTURE and state institutions under its control and supervision:

- Import and export of grain;
- Veterinary pharmaceutical activities;
- Sales of plant protection means;
- Fishery and aqua-culture;
- Import of sugar, inclusive for inward processing;
- Wood servicing works.

STATE LAND SERVICE:

- Geodesy, topography, land surveying and servicing activities;
- Works on Photogrammetry and cartography;
- Depreciation and appreciation of real estate.

MINISTRY OF ECONOMY and state institutions under its control and supervision:

- Mediation services with privatization certificates;
- Obtaining and export of ferrous and non-ferrous metal's scrap;
- Activities with 1st and 2nd category precursors;
- Supply of heating and electrical energy, natural gas and liquid gas, if entrepreneurial activities are carried out in accordance with the law on energy.

MINISTRY OF EDUCATION AND SCIENCE issues licenses for opening of educational establishments.

NATIONAL BOARD OF RADIO AND TELEVISION issues broadcasting permits and re-translation permits and licenses activities of cable television and cable radio.

ELECTRO TECHNICAL COMMISSION licenses for designing, processing, mantling and check-up of electrical equipment.

In general fees for the licenses differ from LVL 5 (approx. USD 8.50) for the grains import or export license up to LVL 20000 (approx. USD 34000) for commercial cross-border or national television broadcasting.

At the same time fees for licenses of the same activities differ due to various factors, for example:

activities with fuel:

import and wholesales LVL 200 (approx. USD 340);

retail sale LVL 30 (approx. USD 50).

opening of pharmacies:

in cities LVL 150 (approx. USD 250);

in rural areas LVL 70 (approx. USD 116).

commercial car transport conveyance:

if company has less than 5 transport units LVL 10 (approx. USD 16);

if company has more than 10 transport units LVL 50 (approx. USD 83).

Chapter 7: Investment Climate Statement

Openness to Foreign Investment

The Latvian government actively encourages foreign direct investment, and works with investors to improve the country's business climate. In keeping with European Union and World Trade Organization requirements, there is no screening of foreign investment. One of Latvia's strategic national goals is to integrate into Euro-Atlantic organizations. To this end, the government continually strives to bring Latvian economic institutions, laws and regulations into conformity with EU directives.

Starting January 1st, 2002, business activities are regulated by the Commercial Law, which serves as the legal framework for establishing, registering, operating and closing a business in Latvia. The new Law organizes and simplifies Latvia's earlier fragmented business legislation by combining over 20 separate laws, and reducing the number of business legal entities from 13 to five: individual entrepreneurs, partnerships (general and limited) and corporations (joint stock and limited liability companies).

The new Commercial Law provides increased protection for creditors, and stipulates higher accountability requirement for managers, a requirement for off-shore companies to disclose their shareholders, and a prohibition against companies using cash reserves to purchase their own shares.

Although the Commercial Law is now in effect, only companies registered starting January 1, 2002, have to comply with the new law. Other businesses have until December 31, 2004 to re-register and comply.

Under the 1991 Foreign Investment Law, the laws of the Republic of Latvia apply equally to domestic and foreign investors. Amendments to the Investment Law passed in 1996 removed virtually all restrictions on foreign investment. There are, however, exceptions: foreign investors are prohibited from controlling companies that are involved in air transport (the regulations on licensing of air transport, 6/9/99), security services (the Law on Security Activities, 29/10/98), and lotteries and gambling (the Law on Lotteries and Gambling, 6/16/94), although the restrictions in the security services and the lottery and gambling sectors do not apply to investors from EU and associated countries. In addition, the Law on Insurance restricts representative offices or branches of foreign insurance companies to reinsurance operations. A foreign insurance company, however, is eligible to set up a 100% foreign-owned insurance company in Latvia. According to the 1995 laws on Credit Institutions and on the Bank of Latvia, a foreign bank opening a representative office, bank branch, or merging with a local bank must receive approval from the Bank of Latvia. In January 1995, the United States and Latvia signed an agreement on mutual protection of investments, which went into effect on December 26, 1996.

Land may be purchased freely by citizens of Latvia, governmental entities and companies registered in the Enterprise Registry of Latvia, provided that more than 50% of the company is owned by:

- Latvian citizens and/or Latvian governmental entities; and/or
- Physical or legal persons from other countries with which Latvia has signed and ratified an international agreement on the promotion and protection of investments by 31 December, 1996 or for agreements concluded after this date - in cases when such agreements provide for reciprocal rights to land acquisition.

Physical and legal persons who do not fit into the above categories can obtain land and property (except territories in Latvia's border area, dune areas of the Baltic Sea and the Gulf of Riga, as well as protected areas of other public waters, land of state nature

reserves, and land usable for agriculture and forestry) in accordance with the general plan of that particular region. In addition, foreign investors can lease land for up to 99 years.

Privatization of small and medium state enterprises is virtually complete, and the government has stated its intention to complete privatization of nearly all large state-owned enterprises in 2002. The only exceptions currently are Latvia's energy utility Latvenergo, the postal service, the state-owned railway company, the Riga international airport and approximately 40 small and medium-sized companies in the health care, social services, and road maintenance sectors.

The Law on Privatization of State and Municipal Property governs the privatization process in Latvia. The Latvian Privatization Agency (LPA, www.lpa.bkc.lv), established in 1994 to carry out the privatization program, uses a case-by-case approach in determining the method of privatization for each state enterprise. The three major methods are public offering, auction for selected bidders, and international tender. For some of the largest companies, a certain percentage of shares are sold publicly at the Riga Stock Exchange, either for cash or in exchange for privatization vouchers. The government can decide to maintain a certain number of shares in companies that are deemed important to the state's strategic interests.

In case of greenfield investment, the government does not screen investment projects except in special cases, when a certain type of license is required (in sectors regulated by the Public Services Regulatory Commission) or the state is prepared to offer considerable tax exemptions, or other concessions. So far, there have been several such tenders, including a tender for the right to develop and operate a cellular phone network, and a tender for oil exploration rights in the Baltic Sea; in addition, negotiations with investors in a large pulp mill project are continuing. The investor selection process for these projects appears to be non-discriminatory. Tender regulations for greenfield projects are prepared on a case-by-case basis.

Conversion and Transfer Policies

Latvia's foreign investment law provides for unrestricted repatriation of profits associated with an investment. Investors can freely convert local currency into foreign exchange at market rates, and have no difficulty obtaining foreign exchange from Latvian commercial banks for investment remittances. Exchange rates and other financial information can be obtained at Bank of Latvia's web site at www.bank.lv

Expropriation and Compensation

There have been no cases of arbitrary expropriation of private property by the government of independent Latvia. Expropriation of foreign investment is possible in a very limited number of cases specified in the law on expropriation of real property. Compensation must be paid in full within three months of the date of expropriation. If the owner of the property claimed by the government deems the compensation inadequate, the owner has the right to appeal to a Latvian court.

Dispute Settlement

The 1993 Law on Judicial Power introduced a three-tier court system. Currently, judicial power is exercised by town, city and rural districts; regional courts; and the Supreme Court. In addition, the Constitutional Court reviews the compatibility of decrees and acts of the President of the Republic, the government and local authorities with the Constitution and the law. Unless otherwise stipulated by law, district courts are the courts of first instance in all civil, criminal and administrative cases. Regional courts are vested with the authority of appellate review for district court verdicts. In addition, regional courts are courts of first instance for cases specified in the Civil Code. Such cases include claims exceeding LVL 15,000 (approximately USD 25,000), adoption cases, cases related to immovable property and serious criminal offenses. The Supreme Court consists of the Senate and Houses of Court. The law provides for Civil, Criminal and Economic Houses of Court. However, the Economic Court has yet to be established.

Judges are appointed by the Minister of Justice and their appointments are confirmed by Parliament after two years of professional practice. After the Parliament confirmation, judges have absolute security of office, which can only be called into question if they have committed a crime. Supreme Court judges are appointed by the president of that body.

City and regional courts are administered by the Ministry of Justice (www.jm.gov.lv). The Supreme Court and Constitutional Court are independent. However, improvements in the judicial system are needed to accelerate the adjudication of cases, to strengthen the enforcement of court decisions, and to upgrade professional standards.

There are ten arbitration institutions in Latvia: nine in Riga - such as Riga International Arbitration; arbitration under the auspices of the Privatization Agency; and arbitration conducted by the Latvian Chamber of Commerce and Industry and eight (both main offices and branches) others located in Cēsis, Preiļi, Daugavpils, Līvāni, Talsi, Valmiera and Jēkabpils region. In most commercial agreements today, the parties opt to refer their disputes to arbitration rather than to the Latvian courts.

The Civil Procedure Law, which came into force on March 1, 1999, contains a section on arbitration courts. This section was drafted on the basis of the UNCITRAL model law, thus providing full compliance with international standards. The law also governs the enforcement of rulings of foreign non-arbitral courts and foreign arbitrations.

Latvia has joined the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and thus judgments of foreign arbitral courts that are made in accordance with the convention can be enforced in Latvia. In addition, the civil procedure law stipulates that the judgments of foreign non-arbitral courts can be enforced in Latvia.

There are two laws governing bankruptcy procedure: the 1996 Law on Insolvency of Enterprises and Companies, and the Law on Credit Institutions, which regulates

bankruptcy procedures for banks and other financial sector companies. According to the Law on Insolvency, secured claims enjoy privilege rights and are settled separately before the liquidation of the debtor's assets. Another priority group includes the administrative expenses of the liquidation process, employee salaries and social tax payments, payments to farmers, social tax debt, credits guaranteed by the state and other payments to the state budget. Creditors that submit claims after a certain deadline have the lowest priority in the debt settlement process. The Law on Credit Institutions and the Law on Deposit Insurance regulate bank bankruptcy procedures and establish a similar order of priority for claims.

The law requires monetary judgments of local courts to be made in local currency. Judgments of local arbitral courts can be made in either the investor's or local currency.

Performance Requirements and Incentives

The Latvian government extends national treatment to foreign investors. Therefore most investment incentives and requirements apply equally to local and foreign businesses. The one exception applies to companies with foreign capital that were registered in Latvia before April 1, 1995: these businesses are exempt from corporate income tax payments for 4-8 years after the company first made taxable profits. There appear to be no other incentives that apply exclusively to foreign investors.

However, the Latvian government has prepared a series of incentive schemes for investment, both foreign and domestic, in several free ports, special economic zones, and in special support regions. (see www.lda.gov) Two other incentive packages apply to companies producing hi-tech products and to projects that have received the status of a "state-supported investment". In addition, all investors are exempt from VAT and customs duties on fixed assets, which are imported as long-term investments.

Except for specific requirements for investors acquiring former state enterprises through the privatization process, there are no performance requirements for a foreign investor to establish, maintain or expand an investment in Latvia. In the privatization process, performance requirements for investors, both foreign and domestic, are determined on case-by-case basis. Typically, those include requirements to maintain a certain employment level and to invest a certain amount of money into the company. The privatization requirements are subject to negotiation. The Privatization Control Department at the Latvian Privatization Agency reviews the progress of each privatized company over the three years following privatization. If an investor does not meet the requirements specified in the privatization regulations, the LPA breaks the agreement with the investor. As the requirements are easily measurable, LPA decisions in such situations are reasonably transparent and fair.

Under the Latvian law, foreign citizens can enter Latvia for temporary business activities for up to three months in a half-year period. For longer periods of time, foreigners are required to obtain residence and work permits. While in the past foreign investors had

complained about difficulties in obtaining the permits, currently the process has been simplified.

Right to Private Ownership and Establishment

The Latvian constitution guarantees the right to private ownership. Both domestic and foreign private entities have the right to establish and own business enterprises and engage in all forms of commercial activity, except those prohibited by the law. Private enterprises have competitive equality with public enterprises with respect to access to markets and business operations.

Protection of Property Rights

- Legal rights to property have been restored in Latvia. The World Bank has assisted the government of Latvia to institute a land title registration system. A new Mortgage Law was put into effect in 1998, which strengthens the recognition and enforcement of secured interests in property.

In the effort to harmonize its legislation with EU and WTO requirements, Latvia has established a legal framework for the protection of intellectual property. In 1993, the Latvian Parliament passed legislation to protect copyrights, trademarks and patents. In 2000, the Parliament adopted a new Law on Copyrights. The new law strengthens protection of software copyright, and neighboring rights. Foreign owners may seek redress for violation of their intellectual property rights through the appellation council at the Latvian Patent Office; court action can also be sought in such cases. In copyright violation cases the interested party can request through the court that use of the pirated works be prohibited, that pirated copies be destroyed and that remuneration for losses be paid (including for lost profits). The criminal law stipulates penalties for copyright violations. Latvia, however, remains on the USTR 301 watch list. Although Latvia is not a producer of pirated optical media products, the USTR is concerned about transshipment of such pirated goods through Latvia from Russia and Ukraine.

In July 1994, the United States signed a Trade and Intellectual Property Rights Agreement with Latvia. Latvia has been a member of the World Intellectual Property Organization (WIPO) since January 1993, a member of the Paris Convention since September 1993, a member of the Berne Convention since August 1995, and the Geneva Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms since August 1997. In addition, the Latvian government has amended all relevant laws and regulations in order to comply with the requirements of the WTO TRIPS agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights), to which Latvia acceded by joining the WTO.

Latvia has also acceded to the following international treaties and agreements:

-- Patent Co-operation Treaty (September 1993);

- Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure (December 1994);
- Madrid Agreement on International Registration of Trade Marks (January 1995);
- Nice Agreement on International Classification of Goods and Services for the Purposes of Trade Mark Registration (January 1995);
- Rome Convention for the Protection of the Rights of Performers, Producers of Phonograms and Broadcasting Organizations (with a note to not apply the article 12 of the convention concerning phonograms of producers that are not nationals of contracting states), (August 1999);
- Geneva Agreement on Trade Marks (December 1999).

Transparency of the Regulatory System

The Latvian government has amended its laws and regulatory procedures in an effort to bring Latvia's legislation in compliance with the European Union requirements. A number of legislative changes were aimed at increasing the transparency of the Latvian business environment and the regulatory system. At the same time, the massive legislative changes carried out in a short period of time have led to some laws and regulations that could be subject to conflicting interpretations. The Latvian government has developed a good working relationship with the foreign business community (through the Latvian Foreign Investors Council) to streamline various bureaucratic procedures and to address legal and regulatory issues.

Efficient Capital Markets and Portfolio Investment

Latvian government policies do not interfere in the free flow of financial resources or the allocation of credit. Local bank loans are available to foreign investors. In May of 2002, the average weighted interest rate for long-term LVL loans stood at 8.9% and the average interest rate for loans in currencies of the OECD countries at 6.4%.

The Latvian banking system successfully recovered from the 1995 banking crisis that wiped out a substantial portion of Latvia's GDP. The system was shaken again in the fall of 1998, when the Russian government defaulted on its debt payments. A number of Latvia's largest banks held considerable amounts of Russian bonds and consequently suffered substantial losses. In addition, Latvian banks lost Russian customers who, in some cases, had made up a significant part of their customer base. However, by the end of 1999, the banking system had fully recovered. Currently, there are 22 banks and one foreign bank branch in Latvia. The five largest banks in terms of assets are Parex Bank, Unibanka, Hansabanka, Rietumu Bank, and Latvijas Krajbanka (Savings Bank). At the end of the first quarter of 2002, the total assets of these five banks stood at LVL 2.5 billion (USD 3.8 billion), or 66% of combined assets of all Latvian banks.

The regulatory framework for commercial banking incorporates all principal requirements of European Union directives. A unified capital and financial markets regulator was launched on July 1, 2001, replacing the Securities Market Commission, the Insurance Inspectorate, and the Bank Of Latvia's Banking Supervision Department.

Existing banking legislation includes provisions on accounting and financial statements (strict adherence to the international accounting standards is required), minimal initial capital requirements, capital adequacy requirements, large exposures, restrictions on insider lending, open foreign exchange positions and loan-loss provisions. An Anti-Money Laundering Law and Deposit Insurance Law were adopted in 1998, and an independent anti-money laundering unit is now operating in close cooperation with the Prosecutor General's Office. Some of the banking regulations, such as capital adequacy and loan-loss provisions, exceed EU requirements.

Securities markets are regulated by the 1996 Law on Securities, the 2000 Law on Consolidated Capital Markets Regulator, and several other laws and regulations. Protection of investor interests is ensured by strict control over participants in the securities market. Transparency of the market is achieved by issuing Riga Stock Exchange (RSE) bulletins after each trading session and by offering securities market information on the internet.

The Riga Stock Exchange (www.rse.lv) began operations in 1995. France assisted Latvia in setting up the securities market based on a continental European model. In 1997, the RSE was admitted to the International Federation of Stock Exchanges as a corresponding emerging market. The RSE was the first exchange in Eastern Europe to create an index in cooperation with Dow Jones.

Political Violence

There have been no reports of political violence or politically-motivated damage to foreign investors' projects or installations since Latvia regained its independence in 1991. The likelihood of widespread civil disturbances is very low.

Corruption

- Foreign business representatives and non-governmental organizations, such as Transparency International, have identified corruption and the perception of corruption as a persistent problem in Latvia. In an extensive study of corruption in transition economies, the World Bank has rated Latvia as having a high level of state capture. While the study rated administrative corruption as relatively low compared to other transition economies, it is often alleged that bribe-taking -- ranging from low-level bureaucrats in a position to delay or speed up bureaucratic procedures, to high-level officials involved in awarding government contracts -- is not uncommon.

In an effort to strengthen its anti-corruption efforts, the Latvian government has adopted several laws and regulations, including the 1998 law on Money Laundering, and a new law on conflict of interest, which came into force on May 10th, 2002 (replacing the 1995 anti-corruption law). The conflict of interest law imposes a number of restrictions and requirements for public officials and their relatives. Several provisions of the law deal with the currently widespread practice of holding several positions simultaneously, often

both in the public and private sector. The law includes a comprehensive list of state and municipal jobs that cannot be combined with additional employment. Moreover, the law expands the scope of the term "state official" to include members of boards and councils of companies with state or municipal capital exceeding 50%.

Latvia has signed the Criminal Convention on Corruption of the Council of Europe and has expressed interest in joining the OECD Convention on Combating Bribery. According to the Latvian law, it is a crime to offer or to accept a bribe or to facilitate an act of bribery. Although the law stipulates heavy penalties for bribery, so far government officials have rarely been brought to justice for this crime.

The primary institution responsible for combating corruption is the Crime and Corruption Prevention Council chaired by the Prime Minister and including the Ministers of Defense, Interior, Justice, and Health and the Prosecutor General. The Ministry of Justice is the day-to-day supervisor of the CCPC Secretariat. Latvia in May passed legislation creating an independent anti-corruption agency -- the Anti-Corruption Bureau. As of July, the Bureau had not yet begun its work because the GOL has been unable to find a suitable director. In addition, the Prosecutor General's Office plays an important role.

Bilateral Investment Agreements

Latvia has concluded bilateral investment agreements with Austria, Belarus, Belgium, Canada, the Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Israel, Italy, Korea, Lithuania, Luxembourg, Moldova, the Netherlands, Norway, Poland, Portugal, Singapore, the Slovak Republic, Spain, Sweden, Switzerland, Taiwan, Turkey, Ukraine, the United Kingdom, the United States, Uzbekistan and Vietnam. Agreements with Croatia, Kuwait and Romania are signed, but not ratified. The agreement with the U.S. came into force in December 1996.

Latvia has concluded the Treaty on Avoidance of Double Taxation with the U.S., which is in force as of December 30, 1999.

OPIC and Other Investment Insurance Programs

Overseas Private Investment Corporation (OPIC) political risk insurance coverage is available for U.S. investments in Latvia.

Starting in February 1993, the Bank of Latvia's policy was to stabilize the Lat at a value of 79.97 santims (one santim equals 1/100 of a Lat) to one SDR. Since then, the Lat exchange rate has remained constant against SDR. The value of the dollar against the Lat currently equals about \$1.66 per Lat. The Bank of Latvia has sufficient foreign reserves to guarantee full convertibility of the Lat.

Labor

The official rate of registered unemployment in May 2002 was 8.0 percent. Unemployment is significantly higher in rural areas, especially in the southeastern Latgale region. Skilled and unskilled labor are both available. A high percentage of the workforce has completed at least secondary or vocational education. Foreign managers agree that Latvians generally are hard working, reliable and quick to learn. However, there is still a shortage of mid- and senior-level managers with western-style management skills. Companies have reported difficulties in finding knowledgeable lawyers and auditors. Even though service sector employees now have better skills than several years ago, it can still be hard for service-oriented companies to find experienced staff, and often at least some training will be necessary.

Companies must keep wages above a legally specified minimum, which currently is LVL 60 (approximately \$100) per month. Union influence on the wage setting process is limited.

On June 1st, 2002, a new Labor Law came into effect. The law addresses discrimination issues, provides more detailed provisions on rights and obligations of employees' representatives, as well as creates a new institution - the Work Dispute Settlement Commission - that can be established in a workplace.

Full-time employees in Latvia work 40 hours a week. Normally, there are five working days per week, but employers are allowed to schedule six working days per week. Employees are entitled to four calendar weeks of annual paid vacations per year. An employer is prohibited from entering into an employment contract with a foreign individual who does not have a valid work permit.

The Latvian government is committed to adhere to the ILO convention protecting worker rights.

Foreign Free Trade Zones/Free Ports

There are four free trade areas in Latvia: free ports are established in the Riga and Ventspils ports, and special economic zones (SEZ) are created in Liepaja, a port city in western Latvia, and Rezekne, the center of an eastern Latvian region which borders on Russia. The IMF objects to free trade zones on the grounds that they distort competition and create tax collection problems.

Somewhat different rules apply to each of the four zones. In general, the two free ports provide for exemptions from indirect taxes, including exemptions from customs duties, VAT and excise tax. The SEZ offer additional incentives, such as 80-100 percent reduction of corporate income taxes and real estate taxes. In order to qualify for tax relief and other benefits, companies must receive permits and sign agreements with the appropriate authorities: the Riga and the Ventspils port authority, for the relevant free port; or the Liepaja SEZ administration or Rezekne SEZ administration.

Foreign Direct Investment Statistics

In 2000, the Bank of Latvia took over from the Latvian Statistics Bureau calculation of foreign direct investment statistics, which now correspond to international guidelines set by the IMF.

Foreign direct investment stock by country of origin, end-of-year data:

	(Millions of Dollars)			%
Country	2000	2001	2001	
Sweden	262.2	256.1	11.6%	
Germany	230.8	255.8	11.5%	
US	195.6	254.5	11.5%	
Denmark	218.8	232.6	10.5%	
Estonia	233.9	150.8	6.8%	
Norway	115.5	148.4	6.7%	
Finland	128.5	139.8	6.3%	
Russia	124.5	123.4	5.6%	
UK	103.9	106.6	4.8%	
The Netherlands	57.4	61.8	2.8%	
Switzerland	44.4	43.1	1.9%	
Ireland	32.5	42.8	1.9%	
Singapore	27.1	26.0	1.2%	
The Isle of Man	25.0	24.5	1.1%	
Liberia	20.7	18.3	0.8%	
Liechtenstein	17.0	18.2	0.8%	
Subtotal	1858.4	1902.7		
Others	246.2	313.3		
Total	2104.6	2216.0	100%	

54. Foreign investment stock by sector of economy:

Sector	(Millions of Dollars) %		
	2000	2001	2001
Wholesale and retail trade, maintenance and repairs	424.1	492.3	22.2%
Financial intermediation	470.1	385.9	17.4%
Transport, storage, and communications	396.9	382.4	17.3%
Manufacturing	345.0	377.0	17.0%
Real estate, leasing	201.6	261.6	11.8%
Electricity, gas and water supply	105.5	96.2	4.3%
Hotels and restaurants	36.2	32.4	1.5%
Agriculture, forestry, fishing	26.3	22.1	1.0%
Other public and individual services	14.5	17.2	0.8%
Construction		15.0	14.1 0.6%
Mining and quarrying	8.3	9.2	0.4%
Health and social work	6.2	6.0	0.3%

Other investment	31.3	119.4	5.4%

Total	2081.2	2216.0	100%

Source: Bank of Latvia

Chapter 8: Trade and Project Financing

Description of the Banking System

The first two commercial banks in Latvia were founded under the Soviet rule in 1988. Today there are 24 commercial banks in Latvia: 22 Latvian banks and one foreign subsidiary and one foreign bank's representative office. Foreign banks have the right to open subsidiaries and branch offices in Latvia and the licenses are granted using the same procedure as with domestic banks.

Most of the Latvian banks are universal commercial banks and offer a variety of banking products and services. However, due to some insolvency cases in the past, the Financial and Capital Market Commission have strengthened its supervisory role.

Latvian banks are members of the international accounting system SWIFT which provides standardization, effectiveness and security. Since very beginning the Bank of Latvia regulations that provided the regulatory framework and supervision were based on the international monitoring requirements set by the Basle Committee, EU Directives and the International Accounting Standards. As of July 1, 2001, these functions were taken over by a unitary financial supervisory authority, the Financial and Capital Market Commission (FCMC). The Commission is charged with the task of regulating and supervising the financial and capital market and the activities of its participants in accordance with the Law "On the Financial and Capital Market Commission" adopted by the Latvian parliament on June 1, 2000.

For laws and regulations governing the credit institutions sector in Latvia, please see the Commission's website: www.fktk.lv and the Bank of Latvia's website: <http://www.bank.lv/Law/English/index.html>.

Most of the financial difficulties experienced by Latvian banks in 1998 were directly or indirectly triggered by the Russian financial crisis. The banks' investments in Russian government short-term securities (GKO) failed, there was a considerable loss of Russian

customers, and Latvian banks had to set aside reserves for loans issued to Latvian producers focusing on the Russian market.

According to financial experts, the Russian financial collapse had even positive effects on the Latvian banking sector. The increasing competition on the domestic market has provided a powerful incentive for the banking sector to consolidate; and the uncertain future has forced Latvian banks to look for experienced western business partners, particularly Nordic banks. Currently there are several Latvian banks solely owned by the foreign banks: two belonging to German banks, two to Russian banks, one to Swedish bank, one to Estonian bank and a branch of Finnish Bank Nordea.

Latvian Commercial Banks' total assets were USD 7 billion at the end of 2002.

Foreign Exchange Controls Affecting Trading

Latvian government maintains no controls over the import, export, use or exchange of foreign currencies in Latvia.

General Financing Availability

Medium-term Eximbank financing is available in Latvia for credits that are backed by the full faith and credit of the Latvian government, or guaranteed by a proven, reputable financial entity. EBRD financing is also available for both private and public sector projects.

There are no US Banks' subsidiaries, branches or representative offices in Latvia. None of the Latvian banks has subsidiaries, branches or representative offices in the U.S. but all Latvian banks have correspondent arrangements with U.S. banks.

Banks in Latvia

Bank of Latvia
Valdemara 2-a, Riga, LV 1050
Latvia
tel: +371 732-3863; fax: +371 702-2420
<http://www.bank.lv>

Major Commercial Banks in alphabetical order

Joint-Stock Commercial Bank "Baltijas Tranzitu banka"
13. janvara iela 3, LV 1050 Riga, Latvia
Tel.: +371 702 4701, +371 702 4725
Fax: +371 702 4761
<http://www.btb.lv/>

President Edgars Dubra

Joint-Stock Company "Hansabanka"

Kalku iela 26, LV 1050 Riga, Latvia

Tel.: +371 702 4444

Fax: +371 702 4400

<http://www.hbl.lv>

President Ingrida Bluma

State Joint-Stock Company "Latvijas Hipoteku un zemes banka"

Doma laukums 4, LV 1977 Riga, Latvia

Tel.: +371 722 8866, +371 777 4022

Fax: +371 782 0143

www.hipo.lv

President Inesis Feiferis

Joint-Stock Company "Latvijas Krajbanka"

Palasta iela 1, LV 1954 Riga, Latvia

Tel.: +371 722 2871, +371 721 3121

Fax: +371 721 2083

<http://www.krajbanka.lv>

President Zigurds Jeromanovs

Joint-Stock Company "Latvijas Unibanka"

Pils iela 23, LV 1050 Riga, Latvia

Tel.: +371 721 5535, +371 722 5151

Fax: +371 721 5335

<http://www.unibanka.lv>

President Andris Berzins

Joint-Stock Company "Maras banka"

Lacplesa iela 75, LV 1011 Riga, Latvia

Tel.: +371 728 4505, +371 728 6661

Fax: +371 728 2788

Vice President Inga Gulbe

Joint-Stock Company "NORD/LB Latvia"

Smilsu iela 6, LV 1803 Riga, Latvia

Tel.: +371 701 5237, +371 701 5214

Fax: +371 732 0080, +371 732 3449

<http://www.pirmabanka.lv/>

President Jürken Machalett

Joint-Stock Company "Parekss-banka"

Smilu ielā 3, Rīgā, LV-1522, Latvia

Tel: +371 701-00-00; Fax: +371 701-00-01

<http://www.parex.lv>
President Valerijs Kargins

Joint-Stock Company "Rietumu Banka"
Brivibas iela 54, LV 1011 Riga, Latvia
Tel.: +371 702 5555
Fax: +371 702 5588
<http://www.rietumu.lv>
President Michael Joseph Bourke

Joint-Stock Company "Vereinsbank Riga"
Elizabetes iela 63, LV 1050 Riga, Latvia
Tel.: + 371 708 5500
Fax: +371 708 5507
President Thomas Schutze

Branch of Foreign Bank

"Nordea Bank Plc" (Finland) Riga Branch
Kalku iela 15, LV 1050 Riga, Latvia
Tel.: +371 709 6200
Fax: +371 782 0325
<http://www.mnb.lv/english/index.htm>
General Manager Esa Juhani Tuomi

Representative Office of Foreign Bank
Joint-Stock Company "Dresdner Bank AG"
Juergen-Ponto-Platz 1, 60301 Frankfurt am Main, Deutschland
Representative Office
Vilandes iela 1, LV 1010 Riga, Latvia
Tel.: +371 783 0405, +371 73 21355
Fax: +371 783 0406, +371 732 1367
Representative Lothar Krieger

Multilateral Development Bank Offices and Financial Institutions

European Bank for Reconstruction and Development
Urmas Paavel, Head of the Office
Toby Moore, Principal Banker
K.Valdemara 21, Riga, LV 1010
Latvia
tel: +371 750-5520; fax: +371 750-5521
<http://www.ebrd.com>

World Bank
Inguna Dobraja, Chief of Mission
Smilsu 8, Riga, LV 1162
Latvia
tel: +371 722-0744; fax: +371 781-4245
<http://www.worldbank.org.lv>

International Monetary Fund
Adalbert Knobl, Resident Representative
Smilsu 1, Room 465, LV 1919
Latvia
tel: +371 721-2384; fax: +371 782-0269

Chapter 9: Business Travel

COUNTRY DESCRIPTION:

Latvia is a stable democracy experiencing rapid economic growth. Most tourist facilities found in a Western European city are available in Riga, the capital. However, many of the services taken for granted in other countries are not yet available outside Riga.

ENTRY REQUIREMENTS:

A passport valid for at least six months is required. No visa is required for travelers remaining up to 90 days in a half-calendar year (from January to June and from July to December). Travelers remaining in Latvia for more than 90 days, including 180-day periods that cross over two half-calendar years, must apply for temporary residence. Travelers who plan to remain in Latvia for more than 90 days must apply in country for temporary residence. Beginning May 1, 2003, all travelers to Latvia must present evidence of a valid health insurance policy that guarantees any health-related expenses will be covered during the traveler's stay in Latvia. For more information, travelers may contact the Latvian Embassy, at 4325 17th Street, N.W., Washington, D.C. 20011, tel. (202) 726-8213, website <http://www.latvia-usa.org>. Within Latvia, please contact the Citizenship and Immigration Department at Raina bulv. 5, Riga, LV 1508, tel. (371) 721-9424 or (371) 721-9427, fax (371) 782-0306, <http://www.pid.gov.lv>. Any traveler to Russia, even in transit, is advised to obtain a Russian visa before entry into Latvia. The process of obtaining a visa at the Russian Embassy in Riga can be lengthy and involve surrender of the passport for an undetermined period.

In an effort to prevent international child abduction, many governments have initiated procedures at entry/exit points. These often include requiring documentary evidence of relationship and permission for the child's travel from the parent(s) or legal guardian if not present. Having such documentation on hand, even if not required, may facilitate entry/departure.

DUAL NATIONALITY:

In addition to being subject to all Latvian laws affecting U.S. citizens, dual nationals may also be subject to other laws that impose special obligations on Latvian citizens. Whether or not a person with United States citizenship would also be considered a Latvian citizen is a legal question dependent upon an individual's date and place of birth and the nationality of both parents. For additional information, please consult the Latvian Citizenship and Immigration Department, Raina bulv. 5, Riga, LV 1050, tel. 371-721-9424, <http://www.pid.gov.lv> or see the Consular Affairs home page on the Internet at <http://travel.state.gov> for our Dual Nationality flyer.

SAFETY AND SECURITY:

Civil unrest is not a problem in Riga, and there have been no incidents of terrorism directed toward American interests. Incidents of anti-Americanism are rare. For the latest security information, Americans traveling abroad should regularly monitor the Department's Internet web site at <http://travel.state.gov> where the current Worldwide Caution Public Announcement, Travel Warnings and Public Announcements can be found.

The Overseas Citizens Services call center at 1-888-407-4747 can answer general inquiries on safety and security overseas. This number is available from 8:00 a.m. to 8:00 p.m. Eastern Standard Time, Monday through Friday (except U.S. federal holidays). Callers who are unable to use toll-free numbers, such as those calling from overseas, may obtain information and assistance during these hours by calling 1-317-472-2328.

CRIME:

Crime in Latvia is generally non-violent, although there have been cases of serious assaults. Street crime is a serious problem, particularly for tourists. In addition to falling prey to pickpockets in all public areas, there have been cases of tourists and residents being drugged in bars and restaurants and then taken outside or to their residences and robbed. In any public area, one should always be alert to being surrounded by two or more people at once. It is not uncommon for groups of juvenile pickpockets to attempt to overwhelm their victim. In addition, Riga has one of the highest rates of car theft in the world.

Internet crime is a growing concern in Latvia. Common fraudulent schemes involve both Internet auction sites and Internet job search sites. In the first scam, criminals offer valuable items for sale at low prices on Internet auctions and request that payment be sent by wire transfer to a bank in Latvia or through a fraudulent escrow site that they have created themselves. In this scheme the money passes through a bank in Latvia and is quickly withdrawn by ATM or transferred to a bank in another country. It is very difficult in these cases to discover the identities of the account holders or recover the funds.

The second common scam involves identity theft through false job offers. In this scheme, a company claiming to be located in Latvia, but which has a non-existent address, offers the victim employment as a U.S.-based agent or freight forwarder. When the victim responds to the job offer, commonly posted on one of several popular internet job sites, a Social Security number and other identifying information - needed for the identity theft - is requested under the guise of conducting a background check.

The loss or theft abroad of a U.S. passport should be reported immediately to the local police and the nearest U.S. Embassy or Consulate. If you are the victim of a crime while overseas, in addition to reporting to local police, please contact the nearest U.S. Embassy or Consulate for assistance. The Embassy/Consulate staff can, for example, assist you to find appropriate medical care, to contact family members or friends and explain how funds could be transferred. Although the investigation and prosecution of the crime is solely the responsibility of local authorities, consular officers can help you to understand the local criminal justice process and to find an attorney if needed.

U.S. citizens may refer to the Department of State's pamphlet, "A Safe Trip Abroad," for ways to promote a trouble-free journey. The pamphlet is available by mail from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, via the Internet at http://www.access.gpo.gov/su_docs, or via the Bureau of Consular Affairs home page at <http://travel.state.gov>.

MEDICAL FACILITIES:

Medical care in Latvia is steadily improving, but it remains limited in several important respects. There are a few private clinics with medical supplies and services, including disposable needles and basic modern diagnostics, which are nearly equal to Western Europe or U.S. standards. However, any major invasive procedures or surgeries in Latvia are not recommended because of lack of equipment and resources. Hospital services are not equal to Western standards. Most, but not all, antibiotics and prescription medications are available, but as they are generally European or Russian produced, they often have different names, and labels are usually not printed in English. Elderly travelers and those with existing health problems may be at risk due to inadequate medical facilities. Diphtheria, hepatitis and tick-borne encephalitis are widespread. According to the World Health Organization, tuberculosis is a significant problem in Latvia, with 9% of all cases being multi-drug resistant. State ambulance service for emergencies is available by dialing 03 anywhere in Latvia. However, response is poor in rural areas. Air ambulance service is available for medical evacuations. In general, private air ambulance services are very expensive.

MEDICAL INSURANCE:

The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and whether it will cover emergency expenses such as a medical evacuation. U.S. medical insurance plans seldom cover health costs incurred outside the United States unless supplemental coverage is purchased. Further, U.S. Medicare and Medicaid

programs do not provide payment for medical services outside the United States. However, many travel agents and private companies offer insurance plans that will cover health care expenses incurred overseas including emergency services such as medical evacuations.

When making a decision regarding health insurance, Americans should consider that many foreign doctors and hospitals require payment in cash prior to providing service and that a medical evacuation to the U.S. may cost well in excess of \$50,000. Uninsured travelers who require medical care overseas often face extreme difficulties. When consulting with your insurer prior to your trip, ascertain whether payment will be made to the overseas healthcare provider or whether you will be reimbursed later for expenses you incur. Some insurance policies also include coverage for psychiatric treatment and for disposition of remains in the event of death.

Useful information on medical emergencies abroad, including overseas insurance programs, is provided in the Department of State's Bureau of Consular Affairs brochure, "Medical Information for Americans Traveling Abroad," available via the Bureau of Consular Affairs home page or autofax: (202) 647-3000.

OTHER HEALTH INFORMATION:

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747); fax 1-888-CDC-FAXX (1-888-232-3299), or via the CDC's Internet site at <http://www.cdc.gov/travel>. For information about outbreaks of infectious diseases abroad consult the World Health Organization's website at <http://www.who.int/en>. Further health information for travelers is available at <http://www.who.int/ith>.

TRAFFIC SAFETY/ROAD CONDITIONS:

While in a foreign country, U.S. citizens may encounter road conditions that differ significantly from those in the United States. The information below concerning Latvia is provided for general reference only, and it may not be totally accurate in a particular location or circumstance:

Safety of Public Transportation: Good
Urban Road Conditions/Maintenance: Good
Rural Road Condition/Maintenance: Fair
Availability of Roadside Assistance: Fair

There are no highways in Latvia. Latvian main roads are slowly being upgraded after years of little or no maintenance. However, the press reports that 11% of all asphalted roads are in need of repair. The principal rural roads are generally paved and are clear of

snow during the winter. The speed limit is 50 km/hr in towns, and 90 km/hr on the open road, unless otherwise marked.

Latvia has one of the highest per capita rates of automobile accidents and fatalities in Europe. Drivers should be alert to pedestrians and slow moving vehicles in traffic. Violation of traffic rules is common and it is not unusual to be overtaken by other automobiles, traveling at high speed, even in crowded urban areas. Drivers do not always yield to pedestrians, even at marked intersections. During winter, most major roads are cleared of snow. However, drivers should be alert for fog, snow, and ice while driving. Driving while intoxicated is a very serious offense and carries heavy penalties. Local authorities use roadblocks and Breathalyzer tests as enforcement tools. Drivers and pedestrians should be alert to the possibility of drunk drivers and drunken pedestrians wandering onto the road. Drivers must use their headlights at all times day and night. U.S. driving licenses are not valid in Latvia, and American tourists must possess a valid international driving permit, which can be obtained in the United States from the American Automobile Association (AAA) or the American Automobile Touring Alliance.

For more information about road safety and traffic regulations in Latvia, please visit the website of the Latvian Road Safety Administration at <http://www.csdd.lv/en/Index.htm>. For additional general information about road safety, including links to foreign government sites, please see the Department of State, Bureau of Consular Affairs home page at http://travel.state.gov/road_safety.html. For specific information about Latvian driving permits, vehicle inspection, road tax and mandatory insurance, please contact the Latvian Road Safety Administration or the Latvia Tourist Board at 4 Pils Square, Riga, Latvia, LV 1050, tel. and fax: 371-722-9945, or via the Internet at <http://www.latviatourism.lv>.

AVIATION SAFETY OVERSIGHT:

As there is no direct commercial air service by local carriers at present, or economic authority to operate such service, between the U.S. and Latvia, the U.S. Federal Aviation Administration (FAA) has not assessed Latvia's Civil Aviation Authority for compliance with international aviation safety standards. For further information, travelers may contact the Department of Transportation within the U.S. at 1-800-322-7873, or visit the FAA's Internet website at <http://www.intl.faa.gov>.

The U.S. Department of Defense (DOD) separately assesses some foreign air carriers for suitability as official providers of air services. For information regarding the DOD policy on specific carriers, travelers may contact DOD at (618) 229-4801.

CUSTOMS REGULATIONS:

Latvian customs authorities may enforce strict regulations concerning temporary importation into or export from Latvia of items such as firearms, religious materials,

antiquities, medications, business equipment, drugs, etc. It is advisable to contact the Embassy of Latvia in Washington, D.C. or one of Latvia's consulates in the United States for specific information regarding customs requirements.

CRIMINAL PENALTIES:

While in a foreign country, a U.S. citizen is subject to that country's laws and regulations, which sometimes differ significantly from those in the United States and may not afford the protections available to the individual under U.S. law. Penalties for breaking the law can be more severe than in the United States for similar offenses. Persons violating Latvian laws, even unknowingly, may be expelled, arrested or imprisoned. Penalties for possession, use, or trafficking in illegal drugs in Latvia are strict and convicted offenders can expect jail sentences and heavy fines.

COMMUNICATIONS:

Telephone connections with the U.S. are reliable. However 1-800 numbers cannot be accessed from Latvia. Use of international long-distance calling cards is limited. Therefore, travelers should check with their long-distance carrier before departure to see if calling cards can be used from Latvia. Local Internet cafes offer computer access, and fax machines are widely available. Most hotels have e-mail terminals in the rooms and allow their guests to use the fax machine to receive and send messages.

There are two mobile phone operators in Latvia and it is well covered with their networks like the rest of the Northern Europe. They operate in GSM 900, GSM 1800 band-width. Prepaid- cell phone cards and rent a cellphone service is available at the Riga International airport and in Riga. Both companies offer Internet connection through their network with a speed of up 43kbps.

Travelers are urged to consider their method of maintaining contact with family and friends when making their pre-travel preparations.

MONEY:

ATMs are widely available in Riga and other towns. Local currency can also be obtained at local banks and currency exchange points. Banks and currency exchange counters may refuse to accept U.S. currency that is printed before 1990, crumpled, torn, discolored or defaced (even small pen strokes, hand written numbers and letters are considered defacing). If such notes are accepted for exchange, an additional processing fee, based on the size of the transaction, may be charged. Usually there is no additional commission imposed. VISA and MasterCard are widely accepted, only few places accept Diners Club and American Express.

OTHER USEFUL HINTS:

Language, Translation Services - Main two languages are Latvian and Russian. However, in urban areas English is widely used for business communications and most people have a good level of knowledge of it. German is less popular although widely used as well. There is an extensive offer of Translation Services if needed.

Transportation - There are several Taxi companies operating in Riga and other large cities. Some accept payments by card. However, it might be problem to get a taxi in smaller towns. Therefore in case of extensive travel outside of the capital it is advisable to hire a car. It can be useful to rent-a-car with a driver for the person who is not familiar with local road network due to inadequate road sign applications, especially in cities. The largest international Rent-a-car companies are present in Latvia: Avis, National, Hertz, Sixt, Budget.

Food - in Latvia eating habits and traditional cuisine are very similar to those of the Northern Europe and Germany. There are available restaurants of the most types of international cuisine and price levels. From international food chains there are McDonalds, TGIF, Pizza Jazz restaurants available in Latvia. The most popular restaurant chain is LIDO, which offers wide variety of local food on self-service basis. Travelers must remember that availability of international cuisine is limited outside cities.

LIST OF PUBLIC HOLIDAYS:

New Year's Day January 1
Good Friday April 18 (in 2003)
Easter Monday April 21 (in 2003)
Labor Day May 1
Mid-Summer Eve June 23
Mid-Summer Day June 24
LR Proclamation Day November 18
Christmas Day December 25
Boxing Day December 26
New Year's Eve December 31

CHILDREN'S ISSUES:

For information on international adoption of children and international parental child abduction, please refer to our Internet site at http://travel.state.gov/children's_issues.html or telephone the Overseas Citizens Services call center at 1-888-407-4747. The OCS call center can answer general inquiries regarding international adoptions and will forward calls to the appropriate country officer in the Bureau of Consular Affairs. This number is available from 8:00 a.m. to 8:00 p.m. Eastern Standard Time, Monday through Friday (except U.S. federal holidays). Callers who are unable to use toll-free numbers, such as those calling from overseas, may obtain information and assistance during these hours by calling 1-317-472-2328.

REGISTRATION/EMBASSY LOCATION: Americans living in or residing in Latvia are encouraged to register at the Consular Section of the U.S. Embassy in Riga and obtain updated information on travel and security within Latvia. The U.S. Embassy is located at Raina Boulevard 7; tel. (371) 703-6200; fax (371) 781-4088. Consular

information and current travel information can also be found on the Embassy Riga home page at <http://www.usembassy.lv>.

Chapter 10: Economic and Trade Statistics

A. COUNTRY DATA

1. Country Profile

Population: 2,33 million (end of 2002)

Population growth rate in 2002: -0.6 percent

Religions: Evangelical Lutheran (21% of population) and Roman Catholic (21% percent of population), Orthodox (17% of population), also Old-believers, Baptist, Pentecostal, Adventist, Methodist, Judaism.

Government system: Parliamentary Democracy. Latvia re-adopted its 1922 Constitution (Satversme) on December 10, 1991. According to the Latvian constitution the Saeima (Parliament) approves all Latvian laws and is responsible for making strategic decisions on political and economic development of the Latvian state.

Languages: Latvian is the official language and most Latvian residents also speak Russian. English and German are the most popular West European languages.

Work week: 40 hours.

Key Economic Indicators

2000
2001
2002

GDP (current prices (USD million))

7,175
7,663
8406

Real GDP Growth (pct.)

6.8
7.9
6.1

GDP (per capita in USD)

3024

3254

3594

Government spending (pct. from GDP)

40.1

37.4

39.3

Inflation (pct)

1.8

3.2

1.4

Unemployment (pct) Registered

7.8

7.7

8.5

Foreign Exchange Reserves (USD million)

919.3

1,218.4

1,327.3

Average Exchange Rate, Lat/USD

0.606

0.628

0.618

Foreign Debt (USD million)

568

716

752

Sources:

Latvian Bureau of Statistics

Trade

Foreign Trade (1) (USD million)

2000

2001

2002

Total Latvian Exports

1,867

2,001

2,284

Total Latvian Imports

3,191

3,506

4,054

Foreign Trade Balance

-1,324

-1,505

-1,770

U.S. Exports to Latvia

63.4

64.6

64.0

U.S. Imports from Latvia

62.7

51.9

97.0

U.S. share of Latvian

Imports (percent)

2.0

1.9

2.8

US Trade Balance with Latvia

0.7

12.7

-33

Sources: Latvian Bureau of Statistics, Bank of Latvia

Chapter 11: U.S. and Country Contacts

Latvian Government Contacts

Latvian Embassy in the USA

Ivita Burmistre
3rd Secretary Economics,
4325 17th Street NW,
Washington DC 20011,
USA
Tel: (202) 726-8213 or (202) 726-6757, fax: (202) 726-6785
e-mail: latvia@ambergateway.com

Latvian Development Agency

Riga Office:
Juris Kanels, Chairman of the Executive Board
Maris Elerts, Director General
Perses Street 2, Riga LV-1442
Latvia
Tel: +371 703 94 00 fax: +371 703 94 01
e-mail: invest@lda.gov.lv; <http://www.lda.gov.lv>; <http://www..exim.lv>

Representative in the USA:
Janis Freivalds (USA)
JFA, Inc.,
887 Reid Road
Lexington, VA 24450, USA
Tel.: (540) 4645396, Fax: (540) 464-5689
E-mail: jfa@rockbridge.net

Latvian Privatization Agency

Guntis Karklins, Head, Foreign Relations Department
Kr. Valdemara Street 31, Riga LV-1887,
Latvia
Tel: +371 702-1358; fax: +371 783 0363,
<http://www.lpa.bkc.lv>; e-mail: info@mail.lpa.bkc.lv

State Revenue Service, National Customs Board

Martins Tols, Director
Kr. Valdemara Street 1a, Riga LV-1841
Latvia
Tel: +371 704 7400; fax: +371 732 2440

Latvian Certification Center

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Chapter 12: Market Research

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Country Commercial Guides can be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest Export Assistance Center of the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE, or go to one of the following websites: www.export.gov or www.tradeinfo.doc.gov

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